

# EDUCATIONAL MESSAGE

## *Understanding Long Term Care Insurance*

If you are investing for your future, you may have heard about Long Term Care insurance as a part of a financial planning program. If your family is helping a disabled family member in their daily activities, you already know about the emotional, physical and financial challenges involved.

Long Term Care insurance is a tool that can give you peace of mind, knowing that you and your family will be able to pay for Long term care.

### **What is Long Term Care insurance?**

Long term care (LTC) insurance helps pay for a wide range of personal care, health care and social services for people who can no longer care for themselves. This type of care is not covered under health insurance benefits. LTC insurance benefits provide assistance with normal activities of daily living, such as eating, dressing or bathing if you are disabled or have a chronic illness. It will also provide assistance if you have a serious cognitive disorder such as Alzheimer's disease. It provides a daily benefit to help offset the costs associated with custodial care.

### **Why consider Long Term Care insurance?**

- **People are living longer.** Today, people are living longer, on average, than any generation before. Illnesses and accidents that used to be fatal are now routinely survivable. That's why many people will need Long term care-- perhaps in a nursing home or hospice facility; perhaps at home.
- **The cost of care is rising.** Nursing home care costs now averages \$55,800 per year (*AARP The Magazine, 2005*), and the cost of assistance provided by a home care averages \$20,000/year (*The Federal Long Term Care Insurance Program Website, 2005*). The American Council of Life Insurers projects that these costs will quadruple by 2030 (4/00 study).
- **There's a lack of government assistance.**

Medicare	Medicaid (public assistance)
⇒ You receive only a <u>limited amount</u> of skilled care (care designed to help you get better)	⇒ You must spend down your income and assets
⇒ You receive no custodial or supervisory care	⇒ You can receive care only in a nursing home
	⇒ Medicaid may put you in a facility far away from home

*The federal government is offering LTC coverage to 20 million federal employees. The federal government is sending a powerful message that it will be unable to fund Long Term Care forever.*

- **Demographic issues abound.**
  - ⇒ Family is no longer available to provide care – fewer children, two-income families required to make ends meet – mean that the extended family cannot provide care.
  - ⇒ The sandwich generation copes with caring for children/parents.  
(*LifePlans Inc. for ACLI, 3/01*).

<i>Long Term Care insurance represents a major shift in the way Americans think about their future. 70% of Long Term Care insurance purchasers consider it important for retirement planning</i>
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- ⇒ Retirees are concerned about preserving retirement assets.

- ⇒ By living longer, women are often left without family or friends to care for them, so they must rely on significantly more paid help when they themselves need care. (National Alliance for Caregiving and Brandeis University, 1997; *New England Journal of Medicine*, 11/99)
- ⇒ Single people may be vulnerable. They can't count on a spouse or their aging parents to take care of them. They're aware of friends who have suffered chronic illnesses at an early age.

*You may need Long Term Care at any age. According to a 1999 study by the Henry J. Kaiser Foundation, of the population needing Long Term Care 44% are under the age of 65.*